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Assistant County Clerk

April 18, 2007

Tom Sutton, Director
Office of Special Districts
157 W. Fifth Street, Second Floor
San Bernardino, CA 92415-0450

**Subject: MANAGEMENT LETTER – CRESTLINE SANITATION DISTRICT,
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

In compliance with Section 26909 of the California Government Code, we have audited the general purpose financial statements of the Crestline Sanitation District for the fiscal year ended June 30, 2006 and have issued our report thereon dated October 30, 2006. In planning and performing our audit of the financial statements, we considered internal controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. An audit does not include examining the effectiveness of internal controls and does not provide assurance on internal controls. However, we noted certain matters involving internal controls and their operation, which are presented for your consideration.

We do not consider the matter to be a reportable condition under the standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. We have not considered internal controls since the date of our report.

These comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve internal controls or result in other operating efficiencies and are summarized as follows.

STATUS ON PRIOR RECOMMENDATIONS

Our recommendations for further action regarding the recurring prior findings are shown below.

Prior Finding #3: (Recurring Since November 2002):

The District's accounts receivable system does not provide accurate information concerning the fees billed for each billing cycle.

Prior Recommendations

Immediately notify and require the software vendor to correct the system's billing problem. Develop and implement additional procedures to systematically track, reconcile, and collect delinquent sewer fees.

Current Status

The new billing software system was implemented in October of fiscal year 2005/2006. However, the new billing software system did not fulfill the needs of the District. The District plans on implementing a modified version of the old Water & Sanitation Division's system in fiscal year 2006/2007.

The District did not develop or implement additional procedures to systematically track, reconcile, and collect delinquent sewer fees. By not being able to provide the correct amount of accounts receivable as of the end of the fiscal year, the District risks understating revenues and accounts receivable.

Further Recommendations

Follow up on stated plans to implement the new system and ensure that it generates accurate accounts receivable information. If the system cannot provide accurate information regarding accounts receivable, develop and implement additional procedures to accurately track accounts receivable to correctly present accounts receivable at the end of the fiscal year and to present revenues in the year in which they are earned.

Management's Response

Concur – The new billing software by Data Stream called Reflections was installed in October 2006. The new software contains the following A/R reports: Open Balance Accounts; Delinquent Accounts; Closed Accounts; Closed Delinquent Accounts; Credit Balance Accounts; All Accounts. The A/R reports should be sufficient for the Auditor Controller.

The Tax Roll Write-Off should be included as receivables on year-end closing documents and a new procedure has been established to accurately address the Tax Roll Write-Off. The Paid Special Assessment Reports will be tracked for payments. We do not anticipate this being a finding on the 06/07 Audit.

ML/Tom Sutton, Director
Office of Special Districts
April 18, 2007
Page 3

We wish to thank the management and staff for their full cooperation during the audit.

Respectfully submitted,

Larry Walker
Auditor/Controller-Recorder

By: Howard M. Ochi, CPA
Chief Deputy Auditor

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Audit Report Distributed: 6-7-07

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